

## Message Text

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53

ACTION EA-14

INFO OCT-01 ISO-00 NEA-14 AF-10 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 EB-11 COME-00 FEAE-00 INT-08 CIEP-03

TRSE-00 FRB-03 STR-08 OMB-01 DRC-01 /149 W

----- 065668

R 140950Z AUG 74

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 0389

AMEMBASSY SEOUL

AMEMBASSY MANILA

AMCONSUL HONG KONG

C O N F I D E N T I A L VIENTIANE 6330

E.O. 11652: GDS

TAGS: EFIN, ECON, LA

SUBJECT: ARAB OIL MONEY FOR LAOS

SUMMARY: RUMORS CIRCULATING PIENTIANE ABOUT POTENTIAL \$200  
MILLION ARAB MONETARY OIL BONANZA AVAILABLE TO LAOS SURFACED BY  
DIR-GEN MINISTRY  
OF FINANCE AUGUST 12, 1974. FANTASTIC-SOUNDING  
SCHEME CANNOT BE IGNORED BECAUSE IT WAS SUBJECT OF CABINET  
DISCUSSION AND IS BEING TAKEN SERIOUSLY BE INFLUENTIAL LAO.  
END SUMMARY.

1. FOR LAST TWO WEEKS, VIENTIANE BUZZED WITH RUMORS LAOS  
FINANCIAL DIFFICULTIES MIGHT BE OVERCOME BY ARAB OIL MANNA FROM  
HEAVEN OF \$200 MILLION 20-YEAR LOAN AT 8 PER CENT PER ANNUM.  
ORIGIN OF THIS SUPPOSED BONANZA APPEARS TO BE PRIME MINISTER'S  
SON, PANYA SOUVANNA PHOUMA, WHO CLAIMS SINO-THAI OR TAIWANESE-  
CHINESE REPRESENTING HIMSELF AS AGENT OF ARAB OIL INTEREST HAS  
MADE OFFER TO LAOS VIA ROYAL AIR LAOS OF SUCH A LOAN TO HELP  
LEAST DEVELOPED COUNTRIES SOUTHEAST ASIAWM DIR-GEN, MINISTRY OF  
FINANCE, ADVISED MEMBERS DONOR ADVISORY BOARD AUGUST 12 THAT  
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PRIME MINISTER MOST IMPRESSED BY HIS SON'S REPORT AND HAD  
REQUESTED CABINET TO CONSIDER PGNU REACTION IF SUCH OFFER IN FACT

WOULD BE MADE. CABINET DISCUSSED SCHEME AUGUST 8 AND DECIDED IT TOO GOOD TO BE TRUE BUT REQUESTED ADDITIONAL INFORMATION FROM SOUVANNA'S SON, PRINCE PANYA, NATIONAL BANK AND LAOS COMMERCIAL DEVELOPMENT BANK (SOUVANNA'S BANK).

2. USAID DIR TOOK OPPORTUNITY HIS MEETINGS WITH SEC STATE, NATIONAL ECONOMY AND PLAN; MINISTER OF FINANCE AND MANAGING DIRECTOR OF LAOS COMMERCIAL DEVELOPMENT BANK, TO DRAW THEM OUT AND OBTAIN ADDITIONAL INFORMATION. THE FOLLOWING EMERGED:

A. SECSTATE, NATIONAL ECONOMY AND PLAN, REFERRED TO AUGUST 8 CABINET MEETING, FOUND SCHEME INTERESTING BECAUSE LAO COULD REINVEST AT HIGHER INTEREST RATES IN HONG KONG, SINGAPORE, OR U.S., HENCE EARNING BADLY NEEDED FOREIGN EXCHANGE BUT EXPRESSED DOUBT THAT ANYONE INDIVIDUAL OR ORGANIZATION WOULD LOAN LAOS \$200 MILLION AT THIS JUNCTURE OF LAOS ECONOMIC AND POLITICAL DEVELOPMENT. SECSTATE EXPRESSED THOUGHT THAT ARABS MIGHT WANT TO OBTAIN LAOS VOTE FORTHCOMING UN GENERAL ASSEMBLY MEETING BUT SAME TIME STATED THAT CONSIDERABLE LESS AMOUNT REQUIRED TO OBTAIN LAOS' VOTE TO SERVE ARAB PURPOSES.

B. MINFIN, WHO ALSO CHAIRMAN, COUNCIL OF ADMINISTRATION, ROYAL AIR LAOS, THOUGHT SUPPOSED LOAN OFFER INTERESTING, DID NOT RULE IT OUT OF HAND AND EXPRESSED CONCERN INTEREST RATE MIGHT EVENTUALLY WELL GO BELOW 8 PERCENT AND LAOS WOULD TAKE CONSIDERABLE RISKS. MINFIN FURTHER REMARKED SINCE PRIME MINISTER HAD REQUESTED CABINET CONSIDERATION, SUCH PURPORTED OFFERS HAVE TO BE INVESTIGATED AND TAKEN SERIOUSLY.

C. MANAGING DIRECTOR, LAOS COMMERCIAL DEVELOPMENT BANK, DECHO SITHISARIPUTRA, WHO IS BROTHER-IN-LAW SOUVANNA'S SON, PRINCE PANYA, COMMENTED HE CONVINCED THAT THERE IS SOME TRUTH TO PURPORTED LOAN OFFER SINCE ARABS DO NOT KNOW WHAT TO DO WITH THEIR MONEY. HE STATED HE UNDERSTOOD \$200 MILLION ALREADY TRANSFERRED TO HONG KONG SHANGHAI BANK, HONG KONG, AND WITH PRIME MINISTER'S AND PANYA'S APPROVAL IS DEPARTING AUGUST 14 FOR HONG KONG TO OBTAIN FURTHER DETAILS. DECHO CONFIRMED OFFERS HAD BEEN MADE BY BANGKOK SINO THAI AND OR HONG KONG TAIWANESE CHINESE BUT EVEN AFTER HAVING BEEN PRODDED, REFUSED TO IDENTIFY THESE INDIVIDUALS. HE FURTHER MENTIONED PANYA WHO RECENTLY VISITED KOREA AND PHILIPPINES WAS TOLD ARAB OIL MONEY UNDER SIMILAR CONDITIONS HAD BEEN LOANED AGAINST SIMPLE NATIONAL BANK OR CENTRAL BANK GUARANTEE. DURING HIS STAY IN HONG KONG AS FORMER TRAINEE IN HONG KONG/SHANGHAI BANK, HE WILL USE HIS ACQUAINTANCE WITHIN BANK TO OBTAIN INFORMATION AND ALSO WORK CLOSELY WITH FAR EASTERN REPRESENTATIVE WELLS FARGO BANK WITH WHOM HIS VIENTIANE BANK HAS WORKING RELATIONSHIPS.

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3. ALTHOUGH THIS ENTIRE SCHEME FROM VIENTIANE'S ISOLATED

MILLION ELEPHANT VENUE APPEARS TO BE UTTERLY HAREBRAINED, GIVEN FACT INFLUENTIAL LAO TAKE OFFER WITH SOME SERIOUSNESS AND WAS SUBJECT OF CABINET DISCUSSION, WOULD APPRECIATE IF (A) CONSUL GENERAL HONG KONG DISCRETELY TALK TO HONG KONG SHANGHAI BANK AND WELLS FARGO FAR EASTERN REPRESENTATIVE, HECHT, WITH PURPOSE FINDING OUT WHO IS KIDDING WHOM OR WHETHER THERE IS ANY SUBSTANCE TO THIS RUMORED OFFER. IF SUCH OFFER, IN FACT, HAS BEEN MADE AND TO REPEAT WE DOUBT IT VERY MUCH, WE WOULD ALSO LIKE TO KNOW WHAT INSTITUTION, IF ANY, WOULD BE INVOLVED IN SUCH A TRANSACTION. (Z) EMBASSIES MANILA AND SEOUL COULD SHED ANY LIGHT WHETHER PHILIPPINES OR KOREA HAVE BEEN BENEFICIARIES OF ARAB OIL MONEY.

4. DEPARTMENT MIGHT ALSO WISH TO COMMENT WHETHER THERE HAVE BEEN ANY EXTRAORDINARY ARAB OIL MONEY MOVES FROM U.S. OR EUROPE TO FAR EAST FOR POLITICAL PURPOSES THAT MIGHT BENEFIT THEIR FORTHCOMING UN GENERAL ASSEMBLY SESSION.  
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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC ASSISTANCE, LOANS, INTEREST RATES  
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**Copy:** SINGLE  
**Draft Date:** 14 AUG 1974  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** CollinP0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**TAGS:** EFIN, ECON, LA, XF  
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**Type:** TE  
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